

Questar Close to Rate Relief

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The Utah Committee of Consumer Services said it has reached a settlement with Questar Gas Co. that will ensure the utility can recover its fixed costs while having a minimal impact on customers' monthly bills. Questar currently offsets its fixed costs, or costs unrelated to natural gas prices, by charging higher rates for customers who use more gas.

Since last December, it has been seeking regulatory approval of an option to raise its rates across the board in order to cover fixed costs, should a drop in demand occur, or to lower rates if demand is higher than expected. Questar's annual fixed costs, as approved by the Utah Public Service Commission, are currently about \$224 million. The company's proposal would allow it to automatically raise or lower rates evenly for all of its 830,000 customers to ensure it recovers the established amount.

The proposal, dubbed the "conservation enabling tariff," comes as Questar anticipates a drop in natural gas demand due to new energy conservation initiatives on the horizon.

"Under the current system, if we encourage people to use less of our product, we have trouble covering our fixed costs," company spokesman Chad Jones said. "This new system provides an incentive for us to be more aggressive in helping customers reduce their energy consumption."

In the short term, the tariff could mean higher rates for residential customers. In the long term, lower demand brought on by conservation would lead to lower market prices for natural gas, a savings that Questar would pass on to its customers, Jones said.

Wednesday's settlement, which is still subject to PSC approval, gives Questar three years to implement various conservation programs, such as offering rebates on energy-efficient appliances and performing home energy audits.

It also gives Questar a better option for recovering costs while offering safeguards to protect consumers, CCS spokeswoman Chris Keyser said. Backstop measures Keyser said were included in the settlement is a cap on the total amount Questar would be allowed to raise rates. The cap would be 1/2 of 1 percent of the utility's annual gross revenue for the first year, and 1 percent of gross revenue for the next two years.